

SANDS TOWNSHIP
MARQUETTE COUNTY, MICHIGAN
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2008

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TOWNSHIP OF SANDS, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Township of Sands, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Township's net assets are being reported under GASB 34 for the fourth year and comparative information with prior years will be presented in various schedules throughout the Management's Discussion and Analysis.
- Net Assets for the Township as a whole increased by \$182,260 or 6% as a result of this year's operations.
- During the year, the Township had expenditures for governmental activities that totaled \$640,489 and revenues of \$765,050.
- The General Fund reported a net fund balance of \$623,349 as of March 31, 2008, a decrease of \$34,913 from the April 1, 2007 fund balance of \$658,262. This negative change in fund balance was the result of the township's aggressive support of recreation within the township. Additionally the township's garbage truck had costly repairs. Further detail will be provided in the General Fund Budgetary highlights.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

TOWNSHIP AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

The Statement of Net Assets and the Statement of Activities only contain Governmental Activities, as the Township has no Business-Type Activities. The Governmental Activities include legislative, elections, public safety, public works, health and welfare, recreation and culture, community and economic development, general services, and administration. Property taxes, charges for services, and state sources fund most of these activities.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

Sands Township Total Net Assets – Governmental Activities

(In 000's)

	Governmental Activities <u>As of March 31, 2008</u>	Governmental Activities <u>As of March 31, 2007</u>
Current Assets	\$1,518	\$1,394
Noncurrent Assets	<u>1,686</u>	<u>1,640</u>
Total Assets	<u>\$3,204</u>	<u>\$3,034</u>
Long-Term Debt Outstanding	\$ 7	\$ 13
Other liabilities	<u>53</u>	<u>59</u>
Total Liabilities	<u>\$ 60</u>	<u>\$ 72</u>
Net Assets		
Invested in Capital Assets		
- Net of Related Debt	\$1,686	\$1,640
Restricted	847	682
Unrestricted	<u>611</u>	<u>640</u>
Total Net Assets	<u>\$3,144</u>	<u>\$2,962</u>

Total Net Assets stood at \$3,143,874 as of fiscal year end March 31, 2008, while Total Liabilities stood at \$59,941.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2008.

Sands Township – Change in Net Assets

(In 000's)	Governmental Activities <u>As of March 31, 2008</u>	Governmental Activities <u>As of March 31, 2007</u>
Program Revenues		
Charges for Services	\$ 35	\$ 30
Operating Grants and Contributions	83	97
Capital Grants and Contributions	10	86
General Revenues		
Taxes		
Property Taxes	378	327
Commercial Forest Act	4	4
Swamp Tax	7	8
Penalties Interest & Fees on Taxes	16	14
State Shared Revenues	167	167
Metro Authority Act	5	11
Interest and rentals	45	5
Other	<u>26</u>	<u>31</u>
Total Revenues	<u>776</u>	<u>780</u>
Program Expenses		
Legislative	12	11
General Government	200	188
Public Safety	84	95
Public Works	165	188
Health and Welfare	38	36
Community and Economic Development	9	8
Culture and Recreation	<u>86</u>	<u>56</u>
Total Expenses	<u>594</u>	<u>582</u>
Change in Net Assets	<u>\$182</u>	<u>\$198</u>

SANDS TOWNSHIP

Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

The Township's Net assets continue to remain healthy. Sands Township continues to be a quality bedroom community to its larger governmental neighbor, and we are one of the county's faster growing townships. With new residents moving into the Township, either through the sale of homes or new construction, it is anticipated revenue from governmental activities will increase in the future. The township has strengthened its financial position with the passage of a ten year ½ mill for recreation related costs. We continue to monitor our spending and have managed to reduce some expenditures through grants.

GOVERNMENTAL ACTIVITIES

The net assets for the Township's governmental activities increased by \$182,260 of the year ended March 31, 2008. Total revenues from governmental activities were \$776,475, while total expenses were \$594,215.

TOWNSHIP FUNDS

As the Township of Sands, Michigan completed the fiscal year as of March 31, 2008, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$1,470,590, an increase of \$130,367, or 9.73% from April 1, 2007. The Road Fund, Cemetery Perpetual Care Fund, and Nonmajor Governmental Funds combined reported excess revenues over expenditures totaling \$178,934, while the General Fund and Capital Projects Fund, reported excess expenditures of \$48,567.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board infrequently amended the General Fund budget to take into account events taking place during the fiscal year. The main change in our budget occurred because the board had extensive repairs to the township garbage truck, and completion and final payments for the newly constructed multipurpose area. We are hopeful that future expenditures will follow within budget. The amendments resulted in a net decrease of \$34,700. However, actual expenditures were \$34,913 more than revenues of \$458,784. The Board will continue to strive to minimize future budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2008, the Township of Sands, Michigan had \$1,686,145 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment and ambulance) and equity in the Marquette County Solid Waste Management Authority. In addition, the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Sands Township, but rather they are the property of the Marquette County Road Commission.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

Sands Township Capital Assets (Net of Depreciation)

(In 000's)	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Capital Assets		
Land	\$ 302	\$ 302
Construction in process		197
Land Improvements	202	209
Buildings	695	438
Equipment	65	68
Vehicles	<u>422</u>	<u>425</u>
Total	<u>\$1,686</u>	<u>\$1,639</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Reductions in Michigan State Revenue Sharing are of considerable concern to Sands Township. With decreased funds the Township continues to watch its budget very closely.

In preparing the 2008-2009 Budget the Township Board reviewed year-to-date data for all funds, along with reviewing past budget data. Every attempt has been made to develop a realistic budget from both the revenue and expenditure perspective.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens and taxpayers with a general overview of Sands Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Sands Township
987 S. M-553
Gwinn, MI 49841
(906) 249-9169

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS

GLORIA J. LaPOINTE, CPA, CFP

MICHAEL R. CHESLA, CPA

TERI L. CHESLA, CPA

101 SOUTH FRONT STREET

SAVINGS BANK BUILDING, SUITE 301

MARQUETTE, MICHIGAN 49855

906-228-5150

Board of Trustees
Sands Township
Marquette County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of March 31, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2008, on our consideration of Sands Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT - Continued

The management's discussion and analysis (identified in the table of contents) and budgetary comparison information on pages 29-33 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sands Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Council & Associates, PC
Certified Public Accountants
Marquette, Michigan

August 6, 2008

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS
GLORIA J. LaPOINTE, CPA, CFP
MICHAEL R. CHESLA, CPA
TERI L. CHESLA, CPA

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 301
MARQUETTE, MICHIGAN 49855
906-228-5150

Board of Trustees
Sands Township
Marquette County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with standards prescribed by the State Treasurer.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Sands Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sands Township's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Sands Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sands Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Sand's Township's financial statements that is more than inconsequential will not be prevented or detected by Sands Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Sands Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the following deficiencies described in the Internal Control Communication and Report of Comments and Recommendations to be significant deficiencies in internal control over financial reporting that we also consider to be material weaknesses, as defined above.

Findings 2008-1, 2008-2

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - Continued

COMPLIANCE AND OTHER MATTERS


As part of obtaining reasonable assurance about whether Sands Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Internal Control Communication and Report of Comments and Recommendations.

Finding 2008-3

We noted certain matters that we reported to the management of Sands Township in the Internal Control Communication and Report of Comments and Recommendations dated August 6, 2008.

Sands Township's response to the findings identified in our audit is described in the accompanying Internal Control Communication and Report of Comments and Recommendations. We did not audit Sands Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of Sands Township management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.


Cowell & Farkenton, PC
Certified Public Accountants
Marquette, Michigan

August 6, 2008

SANDS TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2008

	Governmental Activities
Assets	
Cash	\$ 1,450,138
Prepaid expense	720
Interest receivable	1,133
Taxes receivable	27,462
Accounts receivable	3,445
Pledges receivable	5,000
Fees receivable	4,206
Due from other governmental units	25,566
Capital assets - less accumulated depreciation of \$ 588,127	1,686,145
Total assets	<u>\$ 3,203,815</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 42,080
Deferred revenue	5,000
Long-term liabilities-Bonds payable-Due within one year	6,119
-Due in more than one year	6,742
Total liabilities	<u>59,941</u>
Net Assets	
Investment in capital assets - net of related debt	1,686,145
Restricted:	
Public safety	136,529
Public works	539,232
Health and welfare	145,256
Parks and recreation	18,431
Capital projects	5,884
Cemetery perpetual care-expendable	939
-nonexpendable	970
Unrestricted	<u>610,488</u>
Total net assets	<u>3,143,874</u>
Total liabilities and net assets	<u>\$ 3,203,815</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenue			Governmental Activities
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:					
Legislative	\$ 12,337				\$ (12,337)
General government	200,254	1,731			(198,523)
Public safety	83,731		11,400		(72,331)
Public works	164,939	23,983	66,018		(74,938)
Health and welfare	37,625	9,188			(28,437)
Community/economic development	9,433				(9,433)
Culture and recreation	85,896		6,000	9,550	(70,346)
Total Governmental Activities	<u>\$594,215</u>	<u>\$ 34,902</u>	<u>\$ 83,418</u>	<u>\$ 9,550</u>	(466,345)
General Revenues:					
Taxes:					
Property taxes					377,603
Commercial forest act					4,390
Swamp tax					7,469
Penalty, interest and fees on taxes					15,701
State-shared revenues					167,065
Metro authority act					5,282
Interest and rentals					44,672
Other					26,423
Total general revenues					<u>648,605</u>
Change in Net Assets					182,260
Net Assets - April 1, 2007					<u>2,961,614</u>
Net Assets - March 31, 2008					<u>\$ 3,143,874</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2008

	General Fund	Road Fund	Capital Projects Fund	Cemetery Perpetual Care Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 568,582	\$ 559,427	\$ 5,884	\$ 4,409	\$ 311,836	\$ 1,450,138
Prepaid expenditures					720	720
Interest receivable	671				462	1,133
Taxes receivable	9,916	8,689			8,857	27,462
Accounts receivable	2,422					2,422
Pledges receivable					5,000	5,000
Fees receivable	4,206					4,206
Interfund receivables	23,523					23,523
Due from other governmental units	25,566					25,566
Total assets	<u>\$ 634,886</u>	<u>\$ 568,116</u>	<u>\$ 5,884</u>	<u>\$ 4,409</u>	<u>\$ 326,875</u>	<u>\$ 1,540,170</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 11,537	\$ 28,884	\$	\$	\$ 1,659	\$ 42,080
Deferred revenue					5,000	5,000
Interfund payables				2,500	20,000	22,500
Total liabilities	<u>11,537</u>	<u>28,884</u>		<u>2,500</u>	<u>26,659</u>	<u>69,580</u>
Fund Balances						
Reserved - cemetery perpetual care				1,909		1,909
Reserved - prepaid expenditures					720	720
Unreserved-						
Designated for capital projects			5,884			5,884
Undesignated	623,349	539,232			299,496	1,462,077
Total fund balances	<u>623,349</u>	<u>539,232</u>	<u>5,884</u>	<u>1,909</u>	<u>300,216</u>	<u>1,470,590</u>
Total liabilities and fund balances	<u>\$ 634,886</u>	<u>\$ 568,116</u>	<u>\$ 5,884</u>	<u>\$ 4,409</u>	<u>\$ 326,875</u>	<u>\$ 1,540,170</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL NET ASSETS March 31, 2008

Total Governmental Fund Balances		\$ 1,470,590
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 2,274,272	
Accumulated depreciation is	<u>(588,127)</u>	1,686,145
Long-term liabilities are not due and payable in the current period and are not reported in the funds		<u>(12,861)</u>
Net assets of governmental activities		<u><u>\$ 3,143,874</u></u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED MARCH 31, 2008

	General Fund	Road Fund	Capital Projects Fund	Cemetery Perpetual Care Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes and penalties	\$ 134,182	\$ 104,100	\$	\$	\$ 155,022	\$ 393,304
Licenses and permits	3,406					3,406
State grants	181,464	1,449	9,550		1,293	193,756
Contributions from local units	60,399					60,399
Charges for services	34,902					34,902
Interest and rentals	21,642	16,587	130	61	6,252	44,672
Other	16,983	49		100	17,479	34,611
Total revenues	452,978	122,185	9,680	161	180,046	765,050
Expenditures						
Legislative	11,805					11,805
General government	152,311					152,311
Public safety	15,287				22,453	37,740
Public works	125,990	29,384				155,374
Health and welfare	19,575				2,717	22,292
Community/economic development	9,035					9,035
Recreation and culture	6,828		2,896		62,006	71,730
Other	52,296					52,296
Capital outlay	45,570		78,334		4,002	127,906
Total expenditures	438,697	29,384	81,230		91,178	640,489
Excess of Revenues Over (Under) Expenditures	14,281	92,801	(71,550)	161	88,868	124,561
Other Financing Sources (Uses)						
Insurance recoveries	5,806					5,806
Operating transfers in			57,896			57,896
Operating transfers out	(55,000)				(2,896)	(57,896)
Total other financing sources (uses)	(49,194)		57,896		(2,896)	5,806
Net Change in Fund Balances	(34,913)	92,801	(13,654)	161	85,972	130,367
Fund Balances - April 1, 2007	658,262	446,431	19,538	1,748	214,244	1,340,223
Fund Balances - March 31, 2008	\$ 623,349	\$ 539,232	\$ 5,884	\$ 1,909	\$ 300,216	\$ 1,470,590

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 130,367
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation

Depreciation expense	\$ 81,632	
Capital outlay	<u>(127,906)</u>	(46,274)

Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities	<u>5,619</u>
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Change in Net Assets of Governmental Activities	<u>\$ 182,260</u>
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See accompanying notes to financial statements.

SANDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2008

	Pension Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$	\$ 1,155
Investments--at fair value	101,915	
Total assets	<u>\$ 101,915</u>	<u>\$ 1,155</u>
Liabilities and Net Assets		
Liabilities		
Due to other funds	\$	\$ 1,023
Due to other governmental units		132
Total liabilities		<u>1,155</u>
Net assets		
Held in trust for pension benefits	101,915	
Total liabilities and net assets	<u>\$ 101,915</u>	<u>\$ 1,155</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008

	Pension Trust Fund
	<hr/>
Additions	
Investment income - interest and dividends	\$ 1,991
Contributions - employee	<hr/> 12,620
	<hr/>
Total additions	14,611
Deductions -administrative expenses	<hr/> 390
	<hr/>
Change in net assets	14,221
Net assets - April 1, 2007	<hr/> 87,694
	<hr/>
Net assets - March 31, 2008	<hr/> <hr/> \$ 101,915

See accompanying notes to financial statements.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sands Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Negaunee Township:

Reporting Entity

Sands Township is governed by an elected five-member Board of Trustees and provides services for about 2,900 residents which include fire and ambulance protection, recreational facilities, garbage collection, and disposal facilities for other refuse. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Sands Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources except those accounted for in another fund.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Fund Based Statements - Continued

The Capital Projects Fund is used to account for the construction of capital assets funded by the issuance of debt or by assets of the Township.

The Cemetery Perpetual Care Fund is used to account for income earned on investments (expendable) and a portion of cemetery lot sales (nonexpendable) that are expended only for the perpetual care of cemetery lots.

The Road Fund is used to account for revenues from state and federal grants and special tax levies restricted for maintenance and improvement to county roads within the Township.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's employee Section 457 deferred compensation plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursement of delinquent taxes and deposits due to other units of government.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for principal.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

The Township property tax is levied, due, and becomes a lien each December 1st on the basis of the taxable value of property located in the Township as of the preceding December 31st. If the Township’s real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Marquette County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township.

The rate to finance general government services for the year ended March 31, 2008 was 2.1091 per \$1,000 of taxable valuation of \$56,122,402, on which an ad valorem tax was levied of \$118,647 for operating purposes. An additional .9239 per \$1,000 of taxable valuation was levied for fire equipment, maintenance and improvements, raising \$51,969; .4618 per \$1,000 of taxable valuation for ambulance equipment, raising \$25,909; .4987 per \$1,000 of taxable valuation for recreation facilities, raising \$28,049; and 1.8481 per \$1,000 of taxable valuation was levied for roads, raising \$104,017. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable or as tax revenue.

Under the provisions of Michigan Compiled Laws 397.213, Sands Township contracted with Peter White Public Library for five years to receive library services. The Township agreed to provide 1 mill for the library services of which .8723 mills was levied, raising \$48,948.

Inventories and Prepaid Costs – The Township does not record items as inventories. Supplies are recorded as expenditures when they are purchased. Certain payments to vendors reflect costs in both government-wide and fund financial statements.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	20-25 years
Buildings and other additions	40 years
Equipment	5 - 25 years
Vehicles	5 - 15 years

Long-Term Obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the Township's financial statements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds, after a public hearing. An amendment is made as soon as it becomes apparent there will be deviations from the original budget. All annual budgets lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits townships to amend their budgets during the year. The budgets are presented in the other supplemental information.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Difference</u>
General Fund			
Ambulance	\$19,000	\$19,575	\$ 575
Operating transfers out	No budget	55,000	55,000
Capital Projects Fund	No budget	81,230	81,230
Road Fund	No budget	29,384	29,384
Ambulance Fund	No budget	6,719	6,719
Fire Fund	No budget	22,453	22,453
Library Fund	No budget	48,948	48,948
Recreation Fund	No budget	15,954	15,954

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Sands Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE C – DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, interest bearing checking accounts, money market accounts, treasury bills and treasury notes, mutual funds limited to securities whose intention is to maintain a net asset value of \$1.00 per share, investment pools and state and municipal bonds. The Township's investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money. The Township considers highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC and NCUA insurance limit of \$100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the cemetery, road millage, tax collection, and capital projects funds which had their own checking accounts. The interest in the common bank account was allocated to the Fire, Ambulance, and General Funds based upon the average month end balances throughout the year.

At year-end, the Township's deposits were reported in the basic financial statements as cash and cash equivalents as follows:

Governmental activities	\$1,450,138
Fiduciary funds	<u>1,155</u>
Total	<u><u>\$1,451,293</u></u>

All of the funds are invested in checking, savings, and certificate of deposit accounts. The deposits of Sands Township were reflected in the accounts of bank and credit union deposits at \$4,468,122, of which \$578,430 is covered by federal depository insurance and \$85,807 is covered by the National Credit Union Administration.

The Township's investments are \$101,915 in the fiduciary pension trust fund. They are considered a category 2 credit risk which means they are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE D – CAPITAL ASSETS

Capital asset activity of Sands Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 302,238	\$	\$	\$ 302,238
Construction in Progress	<u>197,298</u>	<u>.</u>	<u>197,298</u>	<u>.</u>
	<u>499,536</u>	<u>.</u>	<u>197,298</u>	<u>302,238</u>
Capital Assets Being Depreciated				
Land improvements	213,256	3,090		216,346
Buildings	617,865	275,632		893,497
Equipment	85,310	4,002		89,312
Vehicles	<u>760,772</u>	<u>42,480</u>	<u>30,373</u>	<u>772,879</u>
Subtotal	<u>1,677,203</u>	<u>325,204</u>	<u>30,373</u>	<u>1,972,034</u>
Less Accumulated Depreciation for				
Land improvements	3,898	10,240		14,138
Buildings	180,140	18,545		198,685
Equipment	17,039	7,479		24,518
Vehicles	<u>335,791</u>	<u>45,368</u>	<u>30,373</u>	<u>350,786</u>
Subtotal	<u>536,868</u>	<u>81,632</u>	<u>30,373</u>	<u>588,127</u>
Net Capital Assets Being Depreciated	<u>1,140,335</u>	<u>243,572</u>	<u>.</u>	<u>1,383,907</u>
Governmental Activities Capital Total				
Capital Assets—net of Depreciation	<u>\$1,639,871</u>	<u>\$243,572</u>	<u>\$197,298</u>	<u>\$1,686,145</u>

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Recreation	\$20,000
	Tax	1,023
	Cemetery Trust	<u>2,500</u>
Total		<u>\$23,523</u>

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	Recreation Fund	\$ 2,896
	General Fund	<u>55,000</u>
Total		<u>\$57,896</u>

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE F – LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance April 1, 2007	Issued	Retired	Balance March 31, 2008	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
Marquette County Solid Waste Management Authority Bonds					
Amount of issue - \$61,315					
Maturity through 2009	\$ 18,480	\$	\$5,619	\$ 12,861	\$ 6,119
Total governmental activities	\$ 18,480	\$	\$5,619	\$ 12,861	\$ 6,119

The Marquette County Solid Waste Management Authority Board agreed to absorb the May, 2007 installment of \$6,215 of the 1989 bond issue. In 2008 they also agreed to absorb the May, 2008 installment amount of \$6,737.

Annual debt service requirements to maturity for the above obligations are as follows:

Governmental Activities			
Year End March 31	Principal	Interest	Total
2008	6,119	618	6,737
2009	6,742	169	6,911
Total	\$ 12,861	\$ 787	\$ 13,648

NOTE G – RISK MANAGEMENT

Sands Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, i.e. workers compensation. Commercial insurance has been purchased to cover workers compensation, property and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE H – SUBSEQUENT EVENTS

On June 10, 2008, Sands Township voted to enter into a construction agreement for County Road NB at an estimated cost of \$38,122 to the Township. The construction of this road is expected to be completed during 2008.

Road construction for County Road NF is in progress and expected to be completed in summer, 2008. The balance of \$36,022 will be paid by March 31, 2009.

NOTE I – DEFERRED COMPENSATION PLAN

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an independent plan administrator. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship. The plan is accounted for as a fiduciary fund – pension trust. The plan's assets are presented at fair market value and captioned as investments.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township, subject only to the claims of the Township's general creditors. Participants' rights under the plan are equal to those of general creditors of the Township in an amount equal to the fair market value of the deferred amount for each participant. The Township believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE J – ACT 425 AGREEMENTS

On June 16, 2005, Sands Township entered into an agreement with Marquette Township for a conditional transfer of certain property within Sands Township and contiguous to Marquette Township. Marquette will provide all Township services now available, or as may be adjusted from time to time, to residents and property owners within the Township. The property will be subject to Marquette taxation and will be for a term of 25 years with an option for renewal for another 25 years by mutual written agreement. During the period of the conditional transfer, Marquette shall annually return to Sands Township one-half (1/2) of the tax revenues derived from the transferred territory which sum, however, shall at no time be greater than three (3) mills applied to the taxable value of said territory. During the year ended March 31, 2008, Marquette Township transferred \$363 to meet this obligation.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE K – FEMA FIRE GRANT

Sands Township Fire Department was awarded a federal Assistance to Firefighters Grant for \$37,677 which requires a match of 5%, or \$1,983 from the Township. The grant will be used to replace helmets, coats, pants, hoods, boots, gloves and goggles. The grant is expected to be received and spent during the year ended March 31, 2009.

NOTE L – INSURANCE RECOVERIES

Sands Township received \$5,806 for insurance claims during the year ended March 31, 2008. These claims covered thefts of computers and supplies (minus the deductible) and are reported under other financing sources.

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Taxes and penalties				
Taxes	\$ 110,000	\$110,000	\$ 118,648	\$ 8,648
Penalties, interest and fees	5,000	5,000	15,534	10,534
Total taxes and penalties	115,000	115,000	134,182	19,182
State grants				
State shared revenue	168,000	168,000	167,065	(935)
Metro authority act			5,282	5,282
Commercial forest reserve	1,500	1,500	1,648	148
Swamp tax	7,500	7,500	7,469	(31)
Total state grants	177,000	177,000	181,464	4,464
Contributions from local units	60,000	60,000	60,399	399
Interest and rentals	10,000	10,000	21,642	11,642
Charges for services				
Trailer fees	250	250	181	(69)
Other fees	30,000	30,000	34,721	4,721
Total charges for services	30,250	30,250	34,902	4,652
Licenses and permits	2,000	2,000	3,406	1,406
Other				
Miscellaneous	24,050	24,050	16,983	(7,067)
Other financing sources				
Insurance recoveries			5,806	5,806
Total revenues and other financing sources	418,300	418,300	458,784	40,484

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - Continued FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Expenditures				
LEGISLATIVE - Township board	\$ 12,500	\$ 12,500	\$ 11,805	\$ (695)
GENERAL GOVERNMENT				
Supervisor	20,000	20,000	20,001	1
Clerk	22,000	21,000	20,725	(275)
Audit and accounting	6,000	5,000	4,220	(780)
Board of review	1,500	2,500	1,260	(1,240)
Treasurer	22,000	25,000	24,948	(52)
Assessor/equalization	22,000	21,000	21,570	570
Elections	5,000	8,000	7,070	(930)
Buildings and grounds	30,000	37,000	39,528	2,528
Legal	17,000	13,000	9,969	(3,031)
Cemetery	5,000	4,000	3,020	(980)
TOTAL GENERAL GOVERNMENT	150,500	156,500	152,311	(4,189)
PUBLIC SAFETY				
Fire department #1	15,000	14,000	10,416	(3,584)
Fire department #2	3,000	6,000	4,871	(1,129)
Animal control	200	200		(200)
Capital outlay			3,090	3,090
TOTAL PUBLIC SAFETY	18,200	20,200	18,377	(1,823)
PUBLIC WORKS				
Highways, streets and lighting				
Endloader operations	1,000			
Lights	5,000	6,000	4,905	(1,095)
Total highways, streets and lighting	6,000	6,000	4,905	(1,095)
Sanitation	96,000	154,000	111,320	(42,680)
Transfer station	8,000	9,000	8,486	(514)
Well testing/aquifer	3,000	2,000	1,279	(721)
Capital outlay			42,480	42,480
TOTAL PUBLIC WORKS	113,000	171,000	168,470	(2,530)

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND BUDGETARY COMPARISON SCHEDULE - Continued FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
HEALTH AND WELFARE				
Ambulance	\$ 20,000	\$ 19,000	\$ 19,575	\$ 575
COMMUNITY/ECONOMIC DEVELOPMENT				
Zoning	9,000	10,000	9,035	(965)
RECREATION AND CULTURE				
Parks and recreation	20,000	8,000	6,668	(1,332)
Library committee meeting	300	300	160	(140)
TOTAL RECREATION AND CULTURE	20,300	8,300	6,828	(1,472)
OTHER				
Insurance	36,000	30,000	29,666	(334)
Township share FICA	13,500	14,500	12,925	(1,575)
Needed for contingencies	10,000	11,000	9,705	(1,295)
TOTAL OTHER	59,500	55,500	52,296	(3,204)
Total expenditures	403,000	453,000	438,697	(14,303)
OTHER FINANCING USES				
Operating transfers out			55,000	55,000
Total expenditures and other financing uses	403,000	453,000	493,697	40,697
Net Change in Fund Balance	15,300	(34,700)	(34,913)	(213)
Fund Balance - April 1, 2007	658,262	658,262	658,262	
Fund Balance - March 31, 2008	<u>\$673,562</u>	<u>\$ 623,562</u>	<u>\$ 623,349</u>	<u>\$ (213)</u>

SANDS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION SPECIAL REVENUE FUNDS-CAPITAL PROJECTS AND CEMETERY PERPETUAL CARE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2008

	Capital Projects Fund			Cemetery Perpetual Care Fund
	Original and Amended Budget	Actual	Over (Under) Budget	Actual
Revenues				
State grant	\$	\$ 9,550	\$9,550	\$
Charges for services				100
Interest		130	130	61
Total revenues		9,680	9,680	161
Expenditures				
Supplies		2,896	2,896	
Capital outlay		78,334	78,334	
Total expenditures		81,230	81,230	
Excess of Revenues Over (Under) Expenditures		(71,550)	(71,550)	161
Other Financing Sources (Uses)				
Operating transfer in		57,896	57,896	
Net Change in Fund Balances		(13,654)	(13,654)	161
Fund Balances - April 1, 2007	19,538	19,538		1,748
Fund Balances - March 31, 2008	<u>\$ 19,538</u>	<u>\$ 5,884</u>	<u>\$ (13,654)</u>	<u>\$ 1,909</u>

SANDS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION SPECIAL REVENUE FUNDS- ROAD STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2008

	Road Fund		
	Original and Amended Budget	Actual	Over (Under) Budget
Revenues			
Taxes-current tax collections	\$ 96,327	\$ 104,017	\$ 7,690
Penalties, interest and fees		83	83
State grants-CFR		1,449	1,449
Interest		16,587	16,587
Other		49	49
Total revenues	<u>96,327</u>	<u>122,185</u>	<u>25,858</u>
Expenditures			
Roads		<u>29,384</u>	<u>29,384</u>
Net Change in Fund Balances	96,327	92,801	(3,526)
Fund Balances - April 1, 2007	<u>446,431</u>	<u>446,431</u>	
Fund Balances - March 31, 2008	<u><u>\$ 542,758</u></u>	<u><u>\$ 539,232</u></u>	<u><u>\$ (3,526)</u></u>

OTHER SUPPLEMENTAL INFORMATION

SANDS TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
March 31, 2008**

	Special Revenue Funds				
	Ambulance Fund	Fire Fund	Library Fund	Recreation Fund	Total Nonmajor Funds
Assets					
Cash	\$ 142,238	\$ 133,411	\$	\$ 36,187	\$ 311,836
Property tax receivable	2,170	4,343		2,344	8,857
Prepaid expenditures	720				720
Pledges receivable				5,000	5,000
Interest receivable	198	264			462
Total assets	<u>\$ 145,326</u>	<u>\$ 138,018</u>	<u>\$</u>	<u>\$ 43,531</u>	<u>\$ 326,875</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 70	\$ 1,489	\$	\$ 100	\$ 1,659
Deferred revenue				5,000	5,000
Due to other funds				20,000	20,000
Total liabilities	70	1,489		25,100	26,659
Fund Balances					
Reserved for prepaid expenditures				720	720
Unreserved-undesignated	145,256	136,529		17,711	299,496
Total fund balances	<u>145,256</u>	<u>136,529</u>	<u></u>	<u>18,431</u>	<u>300,216</u>
Total liabilities and fund balances	<u>\$ 145,326</u>	<u>\$ 138,018</u>	<u>\$</u>	<u>\$ 43,531</u>	<u>\$ 326,875</u>

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2008

	Special Revenue Funds				
	Ambulance Fund	Fire Fund	Library Fund	Recreation Fund	Total Nonmajor Funds
Revenues					
Current tax collections	\$ 25,972	\$ 51,969	\$48,948	\$ 28,049	\$ 154,938
Penalties, interest & fees	21	41		22	84
State grants-CFR	351	724		218	1,293
Interest	4,075	2,081		96	6,252
Other	26	11,453		6,000	17,479
Total revenues	30,445	66,268	48,948	34,385	180,046
Expenditures					
Public safety		22,453			22,453
Health and welfare	2,717				2,717
Recreation and culture			48,948	13,058	62,006
Capital outlay	4,002				4,002
Total expenditures	6,719	22,453	48,948	13,058	91,178
Excess of Revenues Over (Under)					
Expenditures	23,726	43,815		21,327	88,868
Other Financing Sources (Uses)					
Operating transfer out				(2,896)	(2,896)
Net Change in Fund Balances	23,726	43,815		18,431	85,972
Fund Balances - April 1, 2007	121,530	92,714			214,244
Fund Balances - March 31, 2008	\$ 145,256	\$ 136,529	\$	\$ 18,431	\$ 300,216

SANDS TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008**

	Pension Trust	Agency Funds	
	Fund	Tax Collection	Trust and Agency
			Total
Assets			
Cash and investments	\$ 101,915	\$ 1,023	\$ 132
			\$ 1,155
Liabilities and Net Assets			
Liabilities			
Due to other funds	\$	\$ 1,023	\$
Due to other governmental units			132
			132
Total liabilities		\$ 1,023	\$ 132
			\$ 1,155
Net Assets - Held in trust for pension benefits	101,915		
Total liabilities and net assets	\$ 101,915		

INTERNAL CONTROL COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

Board of Trustees
Sands Township
Marquette County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sands Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Sands Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Sands Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control under SAS No. 112.

- **Finding 2008-1**—Responsibility for preparation of financial statements rests with the Township's management and requires internal controls. Historically, Sands Township has relied on the independent auditors to assist in preparing the financial statements, including the notes to the financial statements. Independent auditors cannot be part of Sands Township's internal controls. It has been more cost effective to outsource the preparation of financial statements to the independent auditors than to incur time and cost of

INTERNAL CONTROL COMMUNICATION--Continued

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employees obtaining training necessary to perform this task internally. Statement on Auditing Standards (SAS) No. 112 requires us to communicate when a client requires assistance in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America.

Due to the size and budget constraints of Sands Township we do not recommend any changes in procedures at this time.

Response—The Sands Township Clerk and Treasurer agree the current system of auditing is financially acceptable to the Township in that both the Clerk and Treasurer are not CPA's and our budget does not allow for the use of significant outside professionals. We feel that, presently, this arrangement gives us confidence in the final outcome of our finances.

- **Finding 2008-2**--A significant number of adjusting journal entries were proposed by the auditors, which are material to the financial statements. SAS No. 112 indicates that management is responsible for establishing, maintaining, and monitoring internal controls, and for fair presentation in the financial statements. The independent auditors cannot be a part of internal controls.

Sands Township could review the financial statements more closely to reduce the number of misclassifications.

Response—The Clerk and Treasurer will work together to properly classify all transactions.

- **Finding 2008-3**—Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a local unit of government must amend its budget if it becomes apparent that the local unit's actual revenues will deviate from those budgeted, or if the local unit's expenditures will exceed the amounts appropriated. During the year ended March 31, 2008, Sands Township had actual expenditures in excess of budgeted expenditures in certain budgetary functions.

We recommend Sands Township review the requirements of the Act and prepare and amend the budget in the future as needed.

Response—The Clerk and Treasurer will review our procedures and work to bring them into compliance. We will strive to correct the specific areas as listed.

INTERNAL CONTROL COMMUNICATION--Continued

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A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the deficiencies presented above constitute material weaknesses under SAS No. 112.

In addition, we noted the following matters involving the internal control and its operation:

BANK RECONCILIATIONS

Bank reconciliations need to be reviewed for outstanding items. Items that are outstanding for more than 6 months need a determination of whether they need to be replaced or removed. The Capital Projects account had several large outstanding deposits which needed to be removed. This also caused the account balance to be in disagreement with the Treasurer's reconciliation.

FINANCIAL STATEMENTS

The Township uses Quick Books for its' bookkeeping and financial statements. When preparing financial statements by fund at year end, the funds did not balance. There were various entries made during the year that crossed funds but did not balance across the funds. Monthly financial statements by fund should be prepared to insure that funds are in balance. Finding the differences caused additional time to be spent on the audit and indicates a lack of internal control.

PAYROLL REPORTS

The Michigan unemployment detail wage report should include only those employees that are covered under the Act which excludes elected officials, those serving on a temporary basis in emergency situations (firefighters), those in policymaking positions, etc. A report has been set up in Quick Books to aid in reporting these amounts accurately.

INTERFUND ACTIVITY

Interfund receivables and payables, as well as transfers in and transfers out did not reconcile at March 31, 2008. A detailed review was made of the activity and adjustments are reflected in the adjusting journal entries. These accounts should always be in balance with each other for proper internal financial reporting.

PERSONNEL ISSUES

Many of your employees have been working for the Township for a number of years. There are occasions that you hire new employees and it would be good practice to do background checks, especially on ambulance and fire personnel. It would also be good

INTERNAL CONTROL COMMUNICATION--Continued

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practice to have formal job descriptions so employees know what it expected of them as well as for the Township's protection.

Employee files had authorization documents that were not up-to-date, i.e. W-4, deferred comp authorizations. We suggest you update these documents and follow a procedure of updating every couple of years.

This communication is intended solely for the information and use of management and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Cowell & LaPointe, PC
Certified Public Accountants

August 6, 2008